

COMPASS POINTE
INDEPENDENT AUDITORS' REPORTS,
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED
JUNE 30, 2014

COMPASS POINTE

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COMPASS POINTE
OFFICIALS
JUNE 30, 2014

EXECUTIVE DIRECTOR JoAnn DeYoung

BOARD OF DIRECTORS (terms expire January 1, 2015)

Officers:

President Dennis Wright
Vice-President Jack Plathe
Secretary-Treasurer Jason Harrington

Delegates:

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Don Altena

Clay County Del Brockshus
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Dickinson County Kris Rowley
Jason Harrington

Emmet County Bev Juhl
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Kossuth County Jack Plathe

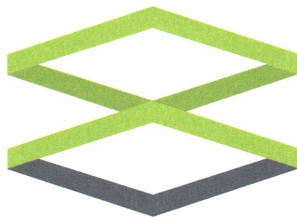
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Kirk Peters

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Kiana Johnson

Osceola County Phil Bootsma
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Palo Alto County Ron Graettinger

Sioux County Dennis Wright
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Compass Pointe

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Compass Pointe (a non-profit organization) as of June 30, 2014, and the related Statements of Activities, Functional Expenses, and Cash Flows and the Notes to Financial Statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Compass Pointe's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Compass Pointe's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Compass Pointe as of June 30, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Compass Pointe's June 30, 2013 financial statements and our report dated November 27, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards, required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of Compass Pointe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compass Pointe's internal control over financial reporting and compliance.

Wintner, Starnes Co., LLP

December 1, 2014
Spencer, Iowa

COMPASS POINTE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash (Note 6)	\$362,263	\$358,777
Accounts receivable - net (Note 2)	161,278	267,517
Prepaid expenses	<u>37,168</u>	<u>41,414</u>
TOTAL CURRENT ASSETS	<u>560,709</u>	<u>667,708</u>
PROPERTY AND EQUIPMENT:		
Land	8,800	8,800
Building	99,118	99,118
Leasehold improvements	29,831	29,831
Office equipment and furniture	187,129	187,129
Video system and equipment	<u>95,474</u>	<u>91,939</u>
TOTAL PROPERTY AND EQUIPMENT	420,352	416,817
Less accumulated depreciation	<u>(310,116)</u>	<u>(293,532)</u>
PROPERTY AND EQUIPMENT - NET	<u>110,236</u>	<u>123,285</u>
TOTAL ASSETS	<u>\$670,945</u>	<u>\$790,993</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 20,563	\$ 25,731
Other liabilities		76,998
Accrued payroll taxes	19,706	15,199
Accrued vacation pay	38,085	39,268
Accrued unemployment claims	<u>15,610</u>	<u>16,085</u>
TOTAL CURRENT LIABILITIES	<u>93,964</u>	<u>173,281</u>
NET ASSETS:		
Unrestricted, as restated (Note 10)	<u>576,981</u>	<u>617,712</u>
TOTAL NET ASSETS	<u>576,981</u>	<u>617,712</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$670,945</u>	<u>\$790,993</u>

COMPASS POINTE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
PUBLIC SUPPORT AND REVENUES:		
Comprehensive treatment contract	\$ 724,549	\$ 643,810
Comprehensive prevention contract	152,686	159,494
Other contracts and grants	412,480	362,139
Counties	130,829	127,163
Cities	15,591	14,916
Donations		1,100
Client fees	810,965	894,281
Other fees	45,681	60,956
Interest	1,371	1,578
Other	<u>2,576</u>	<u>17,596</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>2,296,728</u>	<u>2,283,033</u>
EXPENSES:		
Program services	1,963,500	1,869,899
Support services	<u>373,959</u>	<u>364,461</u>
TOTAL EXPENSES	<u>2,337,459</u>	<u>2,234,360</u>
CHANGE IN NET ASSETS	<u>(40,731)</u>	<u>48,673</u>
NET ASSETS BEGINNING OF YEAR, AS RESTATED	<u>617,712</u>	<u>569,039</u>
NET ASSETS END OF YEAR	<u>\$ 576,981</u>	<u>\$ 617,712</u>

COMPASS POINTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	2014			2013
	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$1,101,471	\$252,050	\$1,353,521	\$1,217,300
Fringe benefits and payroll taxes	<u>355,338</u>	<u>57,120</u>	<u>412,458</u>	<u>371,008</u>
TOTAL COMPENSATION AND RELATED EXPENSES	1,456,809	309,170	1,765,979	1,588,308
Auditing and legal services		11,253	11,253	11,387
Bad debts	16,426		16,426	130,000
Contract services	36,641		36,641	56,930
Insurance	23,713	3,054	26,767	21,422
Medical services	6,000		6,000	6,500
Miscellaneous	11,700	3,644	15,344	10,287
Rent	84,484	11,281	95,765	99,350
Repairs and maintenance	52,535	8,650	61,185	45,651
Special projects	128,479		128,479	104,334
Staff training and education	11,336	7,980	19,316	17,392
Supplies	42,411	5,018	47,429	38,966
Telephone	27,072	4,355	31,427	30,597
Travel	34,368	3,836	38,204	32,748
Utilities	<u>19,661</u>	<u>999</u>	<u>20,660</u>	<u>19,768</u>
TOTAL EXPENSES BEFORE DEPRECIATION	1,951,635	369,240	2,320,875	2,213,640
Depreciation	<u>11,865</u>	<u>4,719</u>	<u>16,584</u>	<u>20,720</u>
 TOTAL EXPENSES	<u>\$1,963,500</u>	<u>\$373,959</u>	<u>\$2,337,459</u>	<u>\$2,234,360</u>

COMPASS POINTE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (40,731)	\$ 48,673
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	16,584	20,720
(Increase) decrease in current assets:		
Accounts receivable	106,239	(97,638)
Prepaid expenses	4,246	(12,910)
Increase (decrease) in current liabilities:		
Accounts payable	(5,168)	170
Accrued expenses and other liabilities	<u>(74,149)</u>	<u>19,586</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>7,021</u>	<u>(21,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(3,535)</u>	<u>(7,826)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,535)</u>	<u>(7,826)</u>
NET INCREASE (DECREASE) IN CASH	3,486	(29,225)
CASH AT BEGINNING OF YEAR	<u>358,777</u>	<u>388,002</u>
CASH AT END OF YEAR	<u>\$362,263</u>	<u>\$358,777</u>

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Compass Pointe is an Iowa non-profit organization based in Spencer, Iowa, with offices in a ten county area of Northwest Iowa. Its primary activities are the treatment of individuals suffering from drug, alcohol and gambling abuse and providing information and services related to the prevention of drug and alcohol abuse.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Compass Pointe is not currently subject to any donor-imposed restrictions. Accordingly, the net assets of Compass Pointe and changes therein are classified and reported as unrestricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Revenue Recognition

Compass Pointe collects substantially all of its revenues from services, contracts, and grants related to clients participating in its programs. Revenues from services are recognized when earned, net of contractual adjustments resulting from agreements with third-party payers. Contract and grant revenues are recognized when all eligibility requirements imposed by the provider have been satisfied. See also Note 7.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of balances held in checking, money market savings and certificate of deposit accounts.

Accounts Receivable

Compass Pointe records accounts receivable net of contractual adjustments, less an allowance for doubtful accounts. Uncollectible receivables are charged against income and an allowance is maintained for doubtful accounts based on management's estimate of the amount of receivables that will actually be collected. Accounts deemed uncollectible are written off annually. See also Note 2.

Property and Equipment

Property and equipment is stated at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of three to forty years.

Accrued Expenses

Accrued vacation pay is estimated at each year end based on all vacation hours earned less hours used, limited to a maximum of eighty hours, and payable at current pay rates. Accrued unemployment claims are estimated at each year end based on claims which may be filed against Compass Pointe related to wages paid to employees during or prior to the fiscal year end.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing Compass Pointe's various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services benefited.

Income Taxes

Compass Pointe is a non-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The organization is not classified as a private foundation by the Internal Revenue Service.

Accounting standards for income taxes, which apply to nonprofit corporations, prescribe a comprehensive model for how an organization measures, recognizes, presents, and discloses in its financial statements uncertain tax positions that the organization has taken or expects to take on its income tax returns. This includes positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The organization's income tax filings are subject to audit by various taxing authorities. The organization's open audit periods are 2010-2013. In evaluating the organization's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. Management believes their estimates are appropriate based on current facts and circumstances. Therefore, no liability or provision for federal income taxes has been made in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

The financial statements include certain 2013 summarized comparative information. With respect to the Statement of Functional Expenses, 2013 expenses by object are presented in total rather than by functional category and therefore do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Compass Pointe's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Management's Review

Compass Pointe has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	<u>2014</u>
Contracted services	\$ 70,890
Client fees	<u>365,388</u>
Total accounts receivable	436,278
Less allowance for doubtful accounts	<u>(275,000)</u>
 Accounts Receivable - Net	 <u>\$161,278</u>

Client fees balances consist primarily of accounts from the Northwest Iowa geographic area. The organization does not require collateral as a condition of the extension of credit.

3. OPERATING LEASES

Compass Pointe leases three office locations under non-cancelable operating leases expiring from January 2016 through June 2017. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2015	\$ 40,592
2016	37,592
2017	18,000
2018	
2019	<u> </u>
 Total	 <u>\$ 96,184</u>

Rent expenses under the above leases and monthly leases for seven additional locations totaled \$95,765 for the year ended June 30, 2014.

4. RETIREMENT PLAN

Compass Pointe maintains a defined contribution retirement plan for all eligible employees with one year of service. The plan calls for Compass Pointe to contribute 6.25% of each qualified employee's annual salary. Additionally, employees are required to contribute 3% of their salary to the plan in order to receive the matching contribution by Compass Pointe. Contributions under this plan totaled \$68,024 for the year ended June 30, 2014.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

5. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, Compass Pointe entered into business transactions with related parties totaling \$1,098.

6. CONCENTRATIONS OF CREDIT RISK

Compass Pointe maintains its cash balances in financial institutions located primarily in Spencer, Iowa. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits in excess of \$250,000 at one institution are covered by a bank deposit guarantee bond.

7. ECONOMIC DEPENDENCY

Compass Pointe generates approximately 51% to 56% of its revenue from contracts to provide services for the Iowa Department of Public Health (IDPH) and the Iowa Plan for Behavioral Health (Iowa Plan). Under the terms of the IDPH contracts, Compass Pointe submits reports of its expenditures and/or activities to the IDPH on a monthly basis and is subsequently reimbursed as provided for in the contract. Currently, Compass Pointe has been awarded contracts from IDPH to provide prevention and gambling treatment services for the fiscal year ending June 30, 2015 totaling \$289,984. These contracts cover periods ranging from six to twelve months.

The Iowa Plan contracts provide for equal monthly payments to Compass Pointe, dependent upon its meeting specified unduplicated client levels and providing specified services. Compass Pointe has been awarded contracts from the Iowa Plan to provide treatment services for the six months ending December 31, 2014 totaling \$356,593.

The IDPH and Iowa Plan contracts are comprised of both federal and state funds. The federal portion of the contract amounts for the fiscal year ending June 30, 2015 is approximately equal to amounts received for the fiscal year ended June 30, 2014. However, the availability of the federal funds is contingent upon federal block grant appropriations to the respective states.

8. RISK MANAGEMENT

Compass Pointe is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Compass Pointe assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

COMPASS POINTE
NOTES TO FINANCIAL STATEMENTS - Continued

9. DONATED SERVICES

Compass Pointe receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the criteria for recognition of such volunteer effort as contributed services has not been satisfied. However, Compass Pointe did utilize donated services valued at \$3,436 to satisfy a portion of the match requirement stipulated in one grant.

10. PRIOR PERIOD ADJUSTMENT

Compass Pointe has discovered an error in the prior period financial statements related to a reimbursement due to the Iowa Plan. Based on an assessment by Magellan Behavioral Health, the administrator of the Iowa Plan, Compass Pointe was informed they must reimburse the Iowa Plan due to failure to meet a contract requirement to serve a specified number of clients during the years ended June 30, 2012 and 2013. Previously, Compass Pointe had recorded an estimated cumulative reimbursement liability of \$174,908, with \$89,534 outstanding at June 30, 2013. During the year ending June 30, 2014, management reevaluated this estimate and concluded that the cumulative reimbursement liability should have been \$162,372, with \$76,998 outstanding at June 30, 2013. Adjustments related to correcting the amount of the reimbursement resulted in a decrease in other liabilities and an increase to unrestricted net assets at June 30, 2013 by \$12,536.

SUPPLEMENTARY INFORMATION

COMPASS POINTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

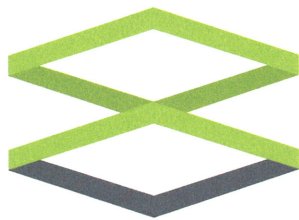
Schedule 1

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Indirect:			
U.S. Department of Justice:			
Iowa Coalition Against Domestic Violence:			
Rural Domestic Violence, Dating Violence, Sexual Assault and Stalking Assistance Program	16.589		\$ 6,884
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Comprehensive Treatment	93.959		256,747
Comprehensive Prevention	93.959	5884CP23	142,437
Total for CFDA #93.959			<u>399,184</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:			
Capacity Coach	93.243	5884IP04	15,339
SPF SIG	93.243	5884CP23	150,776
Total for CFDA #93.243			<u>166,115</u>
Substance Abuse and Mental Health Services -			
Access to Recovery	93.275		<u>74,736</u>
TOTAL			<u>\$646,919</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Compass Pointe and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

COMPASS POINTE
SCHEDULE OF REVENUE AND EXPENSES BY CONTRACT
IOWA DEPARTMENT OF PUBLIC HEALTH CONTRACTS
YEAR ENDED JUNE 30, 2014

	Comprehensive Prevention 5884CP23	SPF SIG Funding 5884CP23	Capacity Coach 5884IP04	Gambling 5884GP01	Prevention Through Mentoring 5884YM79	Tobacco Use 5884TS13	Total
REVENUE:							
Iowa Department of Public Health	<u>\$152,686</u>	<u>\$150,776</u>	<u>\$15,339</u>	<u>\$95,545</u>	<u>\$41,708</u>	<u>\$28,000</u>	<u>\$484,054</u>
EXPENSES:							
Salaries & benefits	104,739	100,146	7,692	30,990		19,921	263,488
Contracted services		4,306			35,453		39,759
Other operating expense	28,031	23,708	5,346	18,910		3,879	79,874
Indirect expense	19,916	22,616	2,301	8,100	6,255	4,200	63,388
Services:							
Screening and assessment .				1,836			1,836
Individual counseling				8,789			8,789
Crisis services				353			353
Group counseling				25,272			25,272
Housing assistance				700			700
Utility assistance				305			305
Gas card				200			200
Wellness				90			90
Total Expenses	<u>152,686</u>	<u>150,776</u>	<u>15,339</u>	<u>95,545</u>	<u>41,708</u>	<u>28,000</u>	<u>484,054</u>
REVENUE OVER EXPENSES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Compass Pointe

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Compass Pointe (a non-profit organization) as of and for the year ended June 30, 2014, and the related notes to financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financing Reporting

In planning and performing our audit of the financial statements, we considered Compass Pointe's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Compass Pointe's internal control. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Compass Pointe's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass Pointe's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*.

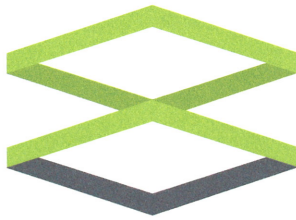
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of Compass Pointe's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Compass Pointe's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Compass Pointe during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winther, Stave & Co., LLP

December 1, 2014
Spencer, Iowa



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Compass Pointe

Report on Compliance for Each Major Federal Program

We have audited Compass Pointe's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on Compass Pointe's major federal program for the year ended June 30, 2014. Compass Pointe's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Compass Pointe's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Compass Pointe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Compass Pointe's compliance.

Opinion on Major Federal Program

In our opinion, Compass Pointe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Compass Pointe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Compass Pointe's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Compass Pointe's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Compass Pointe's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winther, Stave & Co., LLP

December 1, 2014
Spencer, Iowa

COMPASS POINTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) No deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was Block Grants for Prevention and Treatment of Substance Abuse, CFDA Number 93.959.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Compass Pointe qualified as a low-risk auditee.

COMPASS POINTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.